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**Observer status for the Andean Development Corporation
in the General Assembly**

**Note verbale dated 5 October 2012 from the Permanent Mission of
Colombia to the United Nations addressed to the Secretariat**

The Permanent Mission of Colombia to the United Nations presents its compliments to the Secretariat of the United Nations and has the honour to refer to the letter dated 6 July 2012 from the Permanent Representative of Colombia addressed to the Secretary-General (A/67/142), concerning the provisional agenda of the sixty-seventh session of the General Assembly.

In this regard, the Permanent Mission has the honour to submit herewith a copy of the text of the Agreement establishing the Andean Development Corporation (see annex), and to request that it be circulated as a document of the General Assembly under agenda item 168.



**Annex to the note verbale dated 5 October 2012 from the
Permanent Mission of Colombia to the United Nations addressed
to the Secretariat**

Agreement¹ establishing the Andean Development Corporation

The Governments of the Republics of Ecuador, Bolivia, Chile, Colombia, Peru and Venezuela, motivated by their mutual desire to achieve the economic integration of their countries as soon as possible in order to expedite the economic and social development of their peoples, in accordance with the principles set forth in the Treaty of Montevideo, in the Charter of Punta del Este, in the Declaration signed at Bogota by the Presidents of Chile, Colombia and Venezuela and by the personal representatives of the Presidents of Bolivia, Ecuador and Peru, and in the Declaration of the Presidents of America at Punta del Este;

Expressing the need for each of the countries parties to the Declaration of Bogota to aim at creating more favourable economic conditions for participation in the Latin American Common Market;

Declaring that, in order to achieve the aforesaid purposes, it is necessary to overcome the obstacles deriving from the different levels of development, the different economic conditions in general and in particular those related to markets, in order to promote the coordinated and balanced growth of the subregion;

Bearing in mind that the Declaration of Bogota established the Joint Commission and other entities as organs for promoting, consulting on and coordinating the policies to be adopted by the various countries of the subregion, and advocated the establishment of an agency to undertake by specific measures the action agreed upon, particularly with regard to the study and implementation of multinational projects which would serve as a dynamic element in the operation and improvement of a subregional agreement on integration;

Believing that each country should enact relevant laws, regulations and administrative provisions with a view to achieving more effective implementation of the various activities to be carried out by the aforesaid agency within the subregion pursuant to its purpose;

Considering that the participation of the public and private sectors of the countries within and outside the subregion, as also the participation of international financial organizations, is of crucial importance because of the contributions they can make in the form of technical, scientific, financial and technological assistance;

Declaring that joint action by the countries of the subregion is important for the achievement of balanced and coordinated economic development in conjunction with the other Latin American States which, together, will make up the Common Market;

Have resolved to found a development corporation and, to this end, to conclude the Agreement establishing it, designating for this purpose their Plenipotentiaries, who, having presented their full powers, which have been found in good and due form, have agreed to establish the Andean Development Corporation, which shall be governed by the following provisions:

¹ This Agreement has, as the annex indicates, been amended on a number of occasions. For purposes of this edition, the footnotes refer only to the most recent amendment incorporated.

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Chapter I

Name, legal status, headquarters, purpose and functions

Article 1. Name and legal status

By this Agreement the High Contracting Parties establish the Andean Development Corporation.

The Corporation is a body corporate in international public law and shall be governed by the provisions hereof.

Article 2. Headquarters

The Corporation shall have its headquarters in the city of Caracas, Republic of Venezuela.

The Corporation may establish such agencies, offices or units as may be necessary for the performance of its functions, in each of the participating countries or outside of them.

Article 3. Purpose²

The purpose of the Corporation shall be to promote sustainable development and regional integration by providing multiple financial services to clients in the public and private sectors of its shareholder countries.

Article 4. Functions³

In order to attain the purpose indicated in the preceding article, the Corporation shall have the following functions:

- (a) To carry out studies aimed at identifying investment opportunities and to direct and prepare the corresponding project;
- (b) To disseminate among the countries in the area the results of its research and studies, in order to channel efficiently the investment of available resources;
- (c) To provide, directly or indirectly, the technical and financial assistance necessary for preparing and implementing multinational or complementary projects;
- (d) To obtain domestic or foreign credit;
- (e) To issue bonds, debentures and the like for allocation within or outside the shareholder countries;
- (f) To promote the acquisition and mobilization of resources;

In performing the functions referred to in this and the preceding subparagraph, the Corporation shall be subject to the legal requirements of the countries in which the said functions are performed or in whose national currency the said bonds and debentures are issued;

- (g) To encourage capital and technological contributions on the most favourable terms;

² Amended by Decision No. 164/2005 and the 2005 Protocol of Amendment.

³ Amended by Decision No. 187/2009.

- (h) To grant loans and provide guaranties, suretyship and other forms of guarantee;

- (i) To encourage underwriting of the subscription of shares and to underwrite them whenever the relevant requirements are met;

- (j) To promote the organization of enterprises, their expansion, modernization or conversion, for which purpose the Corporation may subscribe to stocks or shares;

The Corporation may transfer the stocks, shares, rights and bonds and debentures it acquires by offering them, in the first instance, to public or private entities of its shareholder countries and, if they are not interested, to third parties interested in the economic and social development of the said countries;

- (k) To carry out, in whatever manner it may determine, any specific tasks or negotiations related with its purpose which it may be asked to undertake by its shareholders or by third parties;

- (l) To coordinate its action in developing its shareholder countries with that of other national and international bodies;

- (m) To recommend the necessary coordination machinery for the entities or organizations in the area that provide investment resources;

- (n) To acquire and dispose of personal and real property, to institute or contest judicial and administrative actions and, generally, to carry out whatever kinds of operations, acts, contracts and agreements may be necessary to fulfil its objectives.

Chapter II

Capital shares and shareholders

Article 5. Capital⁴

The authorized capital of the Corporation shall be ten billion United States dollars (US\$ 10,000,000,000), divided as follows into Ordinary Capital shares and Callable Capital shares:

1. Ordinary capital shares to a total of six billion five hundred million United States dollars (US\$ 6,500,000,000) allotted in three Series, "A", "B", "C", in the following manner:

A. The "A" Series, comprising fifteen (15) registered shares in the amount of one million two hundred thousand United States dollars (US\$ 1,200,000) each, for a total amount of eighteen million United States dollars (US\$ 18,000,000), which shall be subscribed by the Government of each of the Member Countries or by public or semi-public institutions or institutions under private law pursuing a social or public purpose designated by the Government;

B. The "B" Series, comprising one million (1,000,000) registered shares in the amount of five thousand United States dollars (US\$ 5,000) each, for a total amount of five billion United States dollars (US\$ 5,000,000,000) to be

⁴ Amended by Decision No. 187/2009.

special procedures for the settlement of disputes between themselves and the Corporation as may be prescribed in this Agreement, in the by-laws of the institution or in contracts entered into with it.

Chapter IX

Withdrawal and suspension of "A" series shareholders

Article 55. The right of withdrawal²⁰

Any "A" series shareholder may withdraw from the Corporation, in which case the Corporation shall acquire the share. Notice of such a decision shall be transmitted to the Board of Directors in writing.

"A" series shares shall be paid according to their book value and the Board of Directors shall determine the payment period, which shall not exceed five (5) years, in the light of the financial situation of the Corporation. "B" series shares belonging to natural or juridical persons of the country of the "A" series shareholder who has decided to withdraw from the Corporation may be freely transferred within the Member Countries provided that the proportion assigned to natural or juridical persons in private law, as specified in article 5 (3), is maintained. In the event of withdrawal of an "A" series shareholder, the next Regular Shareholders' Meeting shall adjust the relevant provisions of this Agreement to the new situation in accordance with the general tenor of the Agreement.

Article 56. Suspension

If an "A" series shareholder is seriously negligent, in the opinion of the Board of Directors, in fulfilling any of his obligations to the Corporation, he may be suspended by decision of the Shareholders' Meeting.

A shareholder so suspended shall automatically cease to be a member of the Corporation fifteen (15) months from the date of suspension unless the Shareholders' Meeting decides otherwise.

While under suspension, a shareholder shall not be entitled to exercise any rights under this Agreement, except the right of withdrawal.

Chapter X

Final provisions

Article 57. Entry into force

This Agreement shall enter into force when the instruments of ratification have been deposited with the Ministry of Foreign Affairs of Venezuela by representatives of three (3) signatory countries, including the host country. If, within one year from the date of deposit of the instruments of ratification by the last of the three countries, the remaining countries have not deposited their instruments of ratification, the Board of Directors shall convene a Special Shareholders' Meeting for the purpose of adjusting the relevant provisions of this Agreement to the number of countries that have ratified it.

²⁰ Amended by Decision No. 187/2009.

A country whose instrument of ratification is deposited before the date on which this Agreement enters into force shall become a member on that date. Any other country shall become a member on the date on which its instrument of ratification is deposited.

Article 58. Reservations to the Agreement

No reservations may be made with respect to the signature or ratification of or accession to this Agreement.

Article 59. Accession²¹

The present Agreement shall be open for accession by all Latin American and Caribbean countries that meet the conditions for their accession determined by the Shareholders' Meeting. The instruments of accession shall be deposited with the Ministry of Foreign Affairs of the Bolivarian Republic of Venezuela.

The Agreement shall enter into force for acceding States thirty (30) days after the date the Shareholders' Meeting has determined that the conditions for accession, including the deposit of the corresponding instrument of accession, have been met. The Shareholders' Meeting shall consider and approve the adjustment of the relevant provisions of this Agreement necessitated by the accession of a new State.

Article 60. Reinstatement

The Shareholders' Meeting shall determine the procedure for the reinstatement of an "A" series shareholder who has withdrawn.

Interim provisions

First: The host country shall convene the first Shareholders' Meeting within sixty (60) calendar days from the entry into force of this Agreement.

Second: During the interval between the date of entry into force of the Agreement and the holding of the Special Shareholders' Meeting referred to in article 57, the Andean Development Corporation shall be provisionally administered in the manner established by its Shareholders' Meeting in accordance with the general criteria set forth in this Agreement.

Third: If three (3) countries have ratified this Agreement and the host country has not done so three months from the date of deposit of the last instrument of ratification, the ratifying countries may decide on a different site for its headquarters.

²¹ Amended by Decision No. 164/2005 and the 2005 Protocol of Amendment.

subscribed by the Governments or public, semi-public or private entities of the Member Countries;

C. The "C" Series, comprising two hundred and ninety-six thousand four hundred (296,400) registered shares to a total amount of five thousand United States dollars (US\$ 5,000) each, for a total amount of one billion four hundred and eighty-two million United States dollars (US\$ 1,482,000,000) to be subscribed by juridical or natural persons from outside the Member Countries;

2. Callable Capital shares in a total amount of three billion five hundred million United States dollars (US\$ 3,500,000,000) allotted in two Series, "B" and "C", as follows:

A. The "B" Series, comprising five hundred thousand (500,000) registered shares in the amount of five thousand United States dollars (US\$ 5,000) each, for a total amount of two billion five hundred million United States dollars (US\$ 2,500,000,000), to be subscribed by the Governments or public, semi-public or private entities Member Countries;

B. The "C" Series, comprising two hundred thousand (200,000) registered shares in the amount of five thousand United States dollars (US\$ 5,000) each, for a total amount of one billion United States dollars (US\$ 1,000,000,000), to be subscribed by juridical or natural persons from outside the Member Countries;

C. Payment of Callable Capital shares shall be subject to call, with prior consent of the Board of Directors, as needed to meet the Corporation's financial obligations, if the Institution is unable to meet them from its own funds;

D. When the Corporation issues a call for a shareholder to pay the subscribed Callable Capital then due, the latter shall make the payment in United States dollars;

E. Calls for payment of Callable Capital shall be made pro rata, in accordance with the holding of each shareholder of the Corporation;

F. The shareholders' obligation to meet calls for payment of unpaid subscribed shares of Callable Capital shall subsist until the capital is fully paid up;

3. Series "B" shares may be subscribed by private entities in Member Countries, provided that their equity participation does not exceed forty-nine per cent (49%) of shareholder country's holding for that series;

4. Series "C" shares of Ordinary Capital may be converted into Series "B" shares of Ordinary Capital once the conditions approved by the General Meeting of Shareholders for accession to the Agreement establishing the Andean Development Corporation by the respective Member Country have been met.

5. Amended by Decision No. 187/2009.

Article 6. Issuance of shares against non-subscribed authorized capital⁵

The non-subscribed authorized capital may be issued by the Board of Directors for subscription with the affirmative vote of one half plus one of the Directors, in the following cases:

(a) For the issuance of new "B" series shares, which shall be offered in the first instance to the shareholders, in the ratio of the shares held by them to the total capital;

(b) For the issuance of shares in the event of accession by a new country, on which occasion the country concerned may subscribe, either directly or through an organization designated by it, to one "A" series share and a number of "B" series shares on such terms as may be determined by the Board of Directors;

(c) For the issuance of "C" series shares, the characteristics of which shall be determined in each case by the Board of Directors, for subscription by juridical or natural persons outside the Member Countries;

(d) For the issuance of "B" and "C" series shares corresponding to the Callable Capital.

Article 7. Special subscription right

Notwithstanding subparagraph (a) of the preceding article, any country holding fewer "B" series shares than other countries may at any time subscribe to shares against the authorized capital up to an amount equal to that of the largest shareholder.

Article 8. Exposure limits⁶

1. The maximum limit of indebtedness of the Corporation, calculated as the sum of deposits, bonds, third-party loans and other similar obligations, shall be three and one half (3.5) times its net worth, this being understood as the sum of its paid-up capital, equity, reserves, surplus, accrued net income and other equity accounts.

2. The total amount of the loan and investment portfolio of the Corporation plus the total of guaranties and sureties may not exceed an amount equivalent to four (4) times its net worth.

Article 9. Increase or reduction of capital

The capital may be increased or reduced by a decision adopted at the Shareholders' Meeting.

Article 10. Transferability of stock⁷

"A" series shares may be transferred within each country, with the prior consent of the respective Government, to whatever public, semi-public or private entity pursuing a social and public purpose may be designated by the Government. "B" series shares may be transferred only to juridical or natural persons of the respective country, provided that the percentage assigned to private entities that is

⁵ Amended by Decision No. 187/2009.

⁶ Amended by Decision No. 120/1996.

⁷ Amended by Decision No. 187/2009.

specified in article 5 (3) is respected. Subject to the approval of the Board of Directors, "C" series shares may be transferred to juridical or natural persons outside the Member Countries.

Chapter III **Shareholders' meetings**

Article 11. Shareholders' meetings

Shareholders' meetings may be regular or special. They shall be composed of the shareholders or their representatives or proxies, who shall meet subject to the quorum and in the manner prescribed in this Agreement.

Article 12. Regular and Special Meetings⁸

Regular Meetings shall be held once a year within ninety (90) days from the end of the fiscal year after being convened by the Executive President of the Corporation. Special Meetings shall be convened by the Executive President of the Corporation, on his own initiative, or at the request of the Board of Directors, of forty per cent (40%) "A" series shareholders or of shareholders representing at least twenty-five per cent (25%) of the paid-up capital. The notice of Special Meetings shall be given at least thirty (30) calendar days before the date of the Meeting and shall indicate the reason for convening it.

Article 13. Terms of reference of Regular Meetings⁹

Regular Meetings shall have the following terms of reference:

- (a) To consider the annual report of the Board of Directors, the general balance sheet and the statement of profits and losses, after external auditors have made their report, and to determine the allocation of profits, including, at their discretion, the allocation thereof to the funds referred to in subparagraph (b) below;
- (b) To establish special funds for specific purposes;
- (c) To elect the members of the Board of Directors in accordance with the rules set forth in this Agreement;
- (d) To appoint the external auditors;
- (e) To determine the remuneration of the members of the Board of Directors and of the external auditors;
- (f) To deal with any other matter expressly submitted to it which does not fall within the competence of another organ of the Corporation.

Article 14. Terms of reference of Special Meetings

Special Meetings shall have the following terms of reference:

- (a) To increase, reduce or reconstitute the share capital;
- (b) To dissolve the Corporation;

⁸ Amended by Decision No. 187/2009.

⁹ Amended by Decision No. 204/2012.

(c) To change the headquarters of the Corporation, on the proposal of the Board of Directors;

(d) To deal with any other matter expressly submitted to it which does not fall within the competence of another organ of the Corporation.

Special Meetings shall deal only with the matters specifically mentioned in the notice of convocation.

Article 15. Amendment of the Agreement¹⁰

Special Meetings may amend the provisions governing the Corporation in respect of all administrative and procedural matters, as required for the more effective fulfilment of its purposes.

Special Meetings may likewise, with the favourable vote of all the "A" series shareholders plus one half plus one of the other shares represented at the Meetings, change the composition of the Board of Directors and amend such provisions as it may deem pertinent, adhering at all times to the basic criteria of this Agreement.

As regards other provisions relating to the actual structure of the Corporation, Special Meetings may recommend such amendments as, in their opinion, should be submitted for the approval of the Contracting Parties.

Article 16. Quorum¹⁰

The quorum for Regular and Special Shareholders' Meetings shall be constituted when a number of persons is present representing at least eighty per cent (80%) of the "A" series shares and fifty per cent (50%) of the remaining shares.

When a Regular or Special Meeting cannot be held because there is no quorum, another Meeting shall be convened with at least thirty (30) calendar days' advance notice, it being indicated in the notice that the Meeting shall be held regardless of the number of participants.

Article 17. Decisions¹⁰

At Regular Meetings decisions shall be taken by a majority representing at least sixty per cent (60%) of the "A" series shares, plus one half plus one of the remaining shares represented at the Meeting.

At Special Meetings the required majority shall be eighty per cent (80%) of the "A" series shares, plus one half plus one of the remaining shares represented at the Meeting.

When a Regular or Special Meeting is held following a second convocation, decisions shall be adopted with the affirmative vote of at least forty per cent (40%) "A" series shareholders, plus the absolute majority of the other shares represented at the Meeting.

Article 18. Right to vote

Shareholders who are in arrears in the payment of their capital contributions shall not have the right to vote.

¹⁰ Amended by Decision No. 187/2009.

Article 19. Distribution of reports and balance sheets

Every shareholder shall have the right, during the fifteen (15) calendar days prior to the Shareholders' Meeting, to examine at the headquarters of the Corporation the inventory and list of shareholders, and may request a copy of the general balance sheet and the auditors' report. At least fifteen (15) calendar days before each Meeting, the reports and balance sheets shall be sent to every shareholder at the address registered with the Corporation.

Article 20. Minutes

The discussions and decisions of the Meetings shall be recorded in a special book of Minutes.

Article 21. Votes of the members of the Board of Directors

Members of the Board of Directors and the Executive President shall not vote on the approval of the balance sheet or on matters which may involve their responsibility, nor shall they act as proxies for other shareholders at the Meetings.

Article 22. Force of the decisions

The decisions of the Meetings, within the limits of their terms of reference as laid down in this Agreement, shall be binding on all shareholders, including those not present at the Meetings.

Chapter IV

The Board of Directors

Article 23. Membership¹¹

The Board of Directors shall be in the manner indicated in article 24 below. The Directors shall be elected for a term of three (3) years, and may be re-elected. Each Director shall have a personal alternate who shall be elected for the same term and in the same manner as the regular member.

Article 24. Appointment and election¹²

Directors shall be named as follows:

- (a) One (1) Director and his Alternate, appointed one (1) per share of each series "A" shareholder;
- (b) One (1) Director and his Alternate, who shall be appointed by the holders of the series "B" shares from each of the Member Countries who have the right to such designation and are not private banking or private financial entities;
- (c) One (1) Director and his respective Alternate, who shall be elected by the private banking and financial entities of the Member Countries which are shareholders of the Corporation;

¹¹ Amended by Decision No. 187/2009.

¹² Amended by Decision No. 204/2012.

(d) Two (2) Directors and their Alternates who shall be elected by the holders of the series "C" shares.

For elections of Directors, each shareholder shall have a number of votes equal to the number of paid-up shares held or represented by him. In the case of series "C" shareholders, the Directors and Alternates shall be of different nationalities.

Article 25. Quorum¹¹

The Board of Directors may hold valid meetings when at least one half plus one of its members are present.

Article 26. Resolutions¹¹

Each Director shall have one vote at the meetings of the Board of Directors. Resolutions shall be adopted by a majority of not less than one half plus one of the Directors present. In the cases referred to in article 6 and in article 27 (a), (c), (d), (h), (i), (m) and (o), the favourable vote of at least one half plus one of the Directors shall be required.

Article 27. Terms of reference of the Board of Directors¹³

The Board of Directors shall have the following terms of reference:

- (a) To establish and direct the financial, credit and economic policy of the Corporation;
- (b) To elect each year one Director to preside over the meetings of the Board of Directors and the Shareholders' Meetings;
- (c) To appoint and remove the Executive President;
- (d) To determine the remuneration of the Executive President;
- (e) To approve the annual budget of expenditures proposed by the Executive President;
- (f) To approve credit operations in respect of assets and liabilities, investments or any other operation pertinent to the purposes of the Corporation as proposed by the Executive President;
- (g) To decide on the issuance of bonds, debentures and the like, and to lay down the terms thereof; to underwrite the subscription of shares and securities in general; to deal in share certificates; to authorize trust operations;
- (h) To delegate to an executive committee, to any other subsidiary organs which the Board of Directors itself may deem it advisable to establish, or to the Executive President or other officials recommended by him, the functions referred to in subparagraphs (f) and (g) when the amount involved in the operations does not exceed the ceiling to be fixed by the Board of Directors itself;
- (i) To decide, at the request of the Executive President, on matters not covered in this Agreement, as well as on their precise interpretation, reporting in the latter case to the next Shareholders' Meeting;

¹³ Amended by Decision No. 204/2012.

- (j) To submit to the Shareholders' Meeting the annual report and balance sheet;
- (k) To propose to the Shareholders' Meeting the distribution of profits;
- (l) To propose to the Shareholders' Meetings the creation of reserve funds;
- (m) To adopt and amend the by-laws of the Corporation;
- (n) To propose to the Shareholders' Meeting the establishment of special funds for specific purposes;
- (o) To authorize the convening of Regular Shareholders' Meetings as prescribed in the Agreement and of Special Shareholders' Meetings when the corporate interest so requires, or when deemed necessary by the Board of Directors itself, or when requested by shareholders of the Corporation in conformity with article 12 of this Agreement; and
- (p) To propose to the Meeting a change of headquarters should it consider this advisable for compelling reasons.

Article 28. Replacement¹⁴

The following rules shall apply for the replacement of a Director who is incapacitated or deceased or who has resigned;

- (a) In the case of a Director representing the "A" series, the replacement shall be appointed directly by the holder of the share he represented; and
- (b) In the case of a Director representing the "B" series, the Board of Directors shall appoint the outgoing Director's Alternate in his stead; where there is no alternate, it shall request the Member Country whose "B" series shareholders are represented on the Board to take the necessary steps to appoint the Director and his Alternate. The Director thus appointed shall remain in office only for the remainder of the term of his predecessor;
- (c) In the case of a Director representing the private banking and financial entities of shareholder Member Countries or holders of "C" series shares, the Director shall be replaced by the alternate; where there is no alternate, he shall be appointed in accordance with the rule laid down in the last paragraph of article 24.

Article 29. Meetings¹⁵

The Board of Directors shall meet when it so decides, when convened by its Chairman, at the request of at least twenty-five per cent (25%) of the Directors, or at the request of the Executive President. The meetings shall be held at the headquarters of the Corporation except when the Board of Directors itself decides otherwise or on other occasions determined by the Board.

Article 30. Minutes

The discussions and decisions of the Board of Directors shall be recorded in a special book of Minutes.

¹⁴ Amended by Decision No. 204/2012.

¹⁵ Amended by Decision No. 187/2009.

Chapter V

The Executive President and other officers

Article 31. Duties of the Executive President

The Executive President, an international officer, shall be the legal representative of the Corporation and shall have the following terms of reference:

- (a) To manage directly and administer the Corporation;
- (b) To decide on and deal with any matter not expressly reserved for the Shareholders' Meetings, the Board of Directors, the Executive Committee or any other subsidiary organs which may be established by the Board of Directors, and such other matters as may be assigned to him;
- (c) To participate, with the right to speak but not to vote, in the meetings of the Board of Directors.

Article 32. Term of office

The Executive President shall hold office for five (5) years and may be re-elected. He shall remain in office until relieved by his successor.

Article 33. Temporary absences

The Executive President may be replaced *pro tempore* by the ranking Vice-President or, in his absence, by an officer appointed by the Board of Directors.

Article 34. Vacancy

If the office of the Executive President becomes vacant, the Board of Directors shall appoint his successor.

Article 35. Powers

The Executive President may confer powers of attorney for representation of the Corporation in court or outside, with such authority as he may deem necessary. He may also confer special powers of attorney for purposes of concern to the Corporation.

Article 36. Vice-Presidents¹⁶

The Executive President shall appoint such Vice-Presidents as may be necessary for the operation of the institution, stipulating in each case their terms of reference, duties and remuneration. The officers thus appointed should be of different nationalities among the Member Countries.

Article 37. Staff appointments¹⁷

Staff appointments and the determination of the appointees' terms of reference, duties and remunerations shall be the responsibility of the Executive President.

¹⁶ Amended by Decision No. 187/2009.

¹⁷ Amended by Decision No. 120/1996.

Appointments of Vice-Presidents shall be made following consultation with the Board of Directors.

Article 38. Selection of staff¹⁸

In recruiting the staff of the Corporation, primary consideration shall be given to efficiency, competence and honesty, but due regard shall also be given to the need for selecting the staff on as wide a geographical basis as possible, preferably among the Member Countries.

Article 39. International character of the staff

In the performance of their duties, staff members shall not seek or receive instructions from any Government or from any authority external to the Corporation. They shall refrain from any action which might reflect on their position as international officials responsible only to the Corporation.

Chapter VI

Accounting period, balance sheet and profits

Article 40. Accounting period

The Corporation's accounting periods shall be of one year's duration; the starting date shall be established by the Board of Directors.

Article 41. Balance sheet and statement of profits and loss

On the last day of the accounting period, the accounts must be closed in order to draw up the annual balance sheet and the statement of profit and loss for the period in question.

Article 42. Reserve and special funds¹⁹

A quota of at least ten per cent (10%) of the net profits shall be set aside annually to form a reserve fund until it reaches an amount not less than fifty per cent (50%) of the subscribed capital. The Shareholders' Meeting may also decide to establish special funds in accordance with article 13 and other reserve funds and to distribute the remainder to shareholders in the form of dividends.

The special funds shall have the purpose and functions which are stipulated in each case; the Corporation shall be responsible for their administration, and may delegate the same to a third party.

The special funds shall be governed by the provisions of this article and those which may be established by the Board of Directors in each case.

The resources of the special funds shall be completely independent of the resources of the Corporation and shall be so maintained, accounted for, presented, used, invested, committed and otherwise disposed of.

¹⁸ Amended by Decision No. 187/2009.

¹⁹ Amended by Decision No. 204/2012.

In the use of the special funds, the financial responsibility of the Corporation, as administrator, shall be limited to the net assets and reserves of each of the special funds constituted. The Corporation shall have no residual interest in the net assets of the special funds.

Article 43. Auditors

The Corporation shall engage an auditing firm of recognized international standing to certify the annual balance sheet for submission to the Regular Shareholders' Meeting.

Chapter VII

Dissolution and arbitration

Article 44. Dissolution

When the dissolution of the Corporation has been agreed upon, it shall be wound up by a trustee or a board of trustees, as decided by the Shareholders' Meeting. The trustee or board of trustees shall represent the Corporation during the winding-up, pay its outstanding debts, collect its outstanding accounts, distribute the residue among the shareholders in proportion to the paid-up capital represented by each share; and, in general, perform all functions relating to the winding-up.

The Shareholders' Meeting which appoints the trustee or board of trustees shall determine his or its period of duty and lay down the basic rules governing the winding-up. Upon completion of their duties, or of the periods determined by the Shareholders' Meeting, the trustees shall submit a detailed report on their activities and, on concluding their work, shall present a detailed report on the entire winding-up.

Article 45. Arbitration

In the case of a dispute between the Corporation and its shareholders, the dispute shall be submitted to arbitration by a tribunal of three arbitrators.

One of the arbitrators shall be appointed by the Board of Directors of the Corporation, another by the party concerned and the third by agreement between the arbitrators. If they cannot agree, the Corporation or the party concerned may request the Joint Commission or any organ which may replace it, to appoint the third arbitrator.

None of the arbitrators may be of the same nationality as the party in the dispute.

If all efforts to reach unanimous agreement fail, decisions shall be taken by majority vote.

The third arbitrator may settle all questions of procedure and competence in any case where the parties are in disagreement with respect thereto.

Chapter VIII

Immunities, exemptions and privileges

Article 46. Scope of this chapter

In order to fulfil the purposes set forth in this Agreement, the High Contracting Parties agree that the Andean Development Corporation shall enjoy in the territory of each Party the immunities, exemptions and privileges set forth in this chapter.

Article 47. Immunity of assets

The property and other assets of the Corporation, wherever situated, shall be immune from expropriation, search, requisition, confiscation, seizure, attachment, distraint, withholding or any other form of forcible takeover which may interfere with the control of the entity over the said property as a result of executive or administrative actions by any of the Contracting States.

The said property and assets shall enjoy the same immunity with respect to legal process unless a final judgement has been pronounced against the Corporation.

Article 48. Transferability and convertibility

Assets of any kind which belong to the Corporation shall be freely transferable and convertible.

Article 49. Inviolability of archives

The archives of the Corporation shall be inviolable.

Article 50. Freedom of assets from restrictions

To the extent necessary for the Corporation to carry out its purpose and functions and to operate in accordance with this Agreement, all property and other assets of the institution shall be free from restrictions, regulations, controls and moratoriums of any nature, unless otherwise provided in this Agreement.

Article 51. Privilege for communications and correspondence

Official communications of the Corporation shall be accorded by each Contracting State the same treatment that it accords to the official communications of other Contracting States.

The correspondence of the Corporation, including parcels and printed matter, when bearing its frank, shall be carried free of charge by the postal services of the Contracting States.

Article 52. Tax exemption

(a) The Corporation shall be exempt from all taxes and, where pertinent, from all customs duties on its income, property and other assets, and on the operations and transactions it may carry out under this Agreement.

The Corporation shall likewise be exempt from any obligation for the payment, withholding or collection of any tax, contribution or duty.

(b) All salaries and emoluments paid by the Corporation to the Directors and their alternates and to its officers or employees who are not citizens or nationals of the country in which the Corporation has its headquarters or office shall be exempt from taxes.

(c) No tax of any kind shall be levied on any debenture, bond or security issued by the Corporation, including any dividend or interest thereon, by whomsoever held:

1. Which discriminates against such debenture, bond or security solely because it is issued by the Corporation; or
2. If the sole jurisdictional basis for such taxation is the place or currency in which the debenture, bond or security has been issued, made payable or paid, or the site of any office or place of business maintained by the Corporation.

(d) No tax of any kind shall be levied on any debenture, bond or security guaranteed by the Corporation, including any dividend or interest thereon, by whomsoever held:

1. Which discriminates against such debenture, bond or security solely because it is guaranteed by the Corporation; or
2. If the sole jurisdictional basis for such taxation is the site of any office or place of business maintained by the Corporation.

Article 53. Personal immunities and privileges

The Directors, Executive President, Vice-Presidents and executive, technical and professional officers of the Corporation shall enjoy the following privileges and immunities:

(a) Immunity from legal and administrative process with respect to acts performed by them in their official capacity, except when the Corporation expressly waives the immunity;

(b) Where they are not local nationals, the same immunities from immigration restrictions, alien registration requirements and military service obligations, and the same facilities as regards exchange regulations, as are accorded by the country to the representatives, officials and employees of comparable rank of other member countries; and

(c) The same privileges in respect of travelling facilities as are accorded by Contracting States to the representatives, officials and employees of comparable rank of other Contracting States.

Article 54. Judicial proceedings

Judicial proceedings against the Corporation may only be brought in a court of competent jurisdiction in the territory of a Contracting State in which the Corporation has an office or has appointed an agent or proxy authorized to accept service or notice of process, or where it has issued or guaranteed securities.

No judicial action shall be brought against the Corporation by the Contracting States parties to this Agreement or by any person acting for them or upon whom their rights may devolve. Nevertheless, shareholders may have recourse to such

DONE in the city of Bogota, on the seventh day of the month of February nineteen hundred and sixty-eight, in the Spanish language, in six equally authentic copies.

IN WITNESS WHEREOF, the undersigned plenipotentiaries have signed the present Agreement:

For the Government of the Republic of Ecuador:
GONZALO APUNTE

For the Government of the Republic of Bolivia:
TOMÁS GUILLERMO ELIO

For the Government of the Republic of Colombia:
JORGE VALENCIA JARAMILLO

For the Government of the Republic of Chile:
SALVADOR LLUCH

For the Government of the Republic of Peru:
JOSÉ DE LA PUENTE

For the Government of the Republic of Venezuela:
HECTOR HURTADO

Annex

Amendments to the Agreement

<i>Decisions</i>	<i>Date</i>	<i>Purpose</i>
1. No. 21 S.M.I/74	Nov.21-22/74	Increase of registered capital
2. No. 29 S.M.II/77	Jan.18-19/77	Series "A" and "B" only to be subscribed by Governments or public and semi-public institutions, or institutions under private law with a social and public purpose. Indication of the convenience for Chile to remain as a member of CAF under a special regime.
3. No. 33 R.M.VIII/77	Oct.01/77	Withdrawal of Chile (articles 5, 12, 15, 23, 24, 25 and 26)
4. No. 34 R.M.VIII/77	Oct.01/77	Increase of registered capital (article 5)
5. No. 73 S.M.III/86	Jun.06/86	Increase of capital (article 5)
6. No. 75 S.M.IV/86	Oct.30/86	Articles 5, 6, 23, 24, 25 and 26
7. No. 79 R.M.XVIII/87	Mar.30/87	Articles 5 and 10
8. No. 90 S.M.V/89	Oct.30/89	Increase of authorized capital: Issuance of Series "B" (article 5)
9. No. 91 S.M.V/89	Oct.30/89	Articles 5, 23 and 24
10. No. 96 S.M.VI/90	Jun.12/90	Increase of authorized capital (article 5)
11. No. 97 S.M.VI/90	Jun.12/90	Article 5
12. No. 120 S.M.VII/96	Jul.02/96	Articles 5, 6, 8, 10, 23, 24, 27, 37 and 55
13. No 128 R.M.XXIX/98	Mar.06/98	Articles 5,10 and 55
14. No 130 S.M.VIII/98	Dec.02/98	Article 5
15. No 149 S.M.IX/02	Mar.01/02	Articles 5, 23, 24 and 25
16. No 164 S.M.X/05	Jun.06/05	Articles 3 and 59
17. No. 179 S.M.XI/08	Mar.25/08	Article 5
18. No. 187 S.M.XIII/09	Dec.08/09	Articles 4, 5, 6, 10, 12, 15, 16, 17, 23, 24, 25, 26, 28, 29, 36, 38 and 55
19. No. 204 S.M.XV/12	Mar.06/12	Articles 13, 24, 27, 28 and 42

Note:

R.M. = Regular Meeting.

S.M. = Special Meeting.

**General Assembly
Security Council**Distr.: General
8 October 2012

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**General Assembly
Sixty-seventh session
Agenda items 28, 31, 107, 113 and 118****Security Council
Sixty-eighth year****Advancement of women****Report of the Peacebuilding Commission****Report of the Secretary-General on the
Peacebuilding Fund****Follow-up to the outcome of the Millennium Summit****Strengthening of the United Nations system****Peacebuilding in the aftermath of conflict****Report of the Secretary-General****I. Introduction**

1. In my 2009 report on peacebuilding in the immediate aftermath of conflict (A/63/881-S/2009/304), I noted that the first two years after the end of a conflict offered a window of opportunity to provide basic security, deliver peace dividends, shore up and build confidence in the political process, and strengthen core national capacity to lead peacebuilding efforts. The report identified five recurring priority areas for international assistance and laid out an accompanying agenda for action. I also emphasized the need for the full participation of women in peacebuilding processes, and in 2010 I submitted a report on that subject (A/65/354-S/2010/466) that included a seven-point action plan for gender-responsive peacebuilding. In the intervening years, the United Nations has made significant progress in terms of the 2009 agenda and, more modestly, the seven-point action plan. We have also accumulated experience with regard to the long-term challenges associated with peacebuilding, which underline the need for sustained international support, beginning in the immediate aftermath of conflict but continuing well beyond it. The present report details what we have achieved since my last progress report, issued in 2010 (A/64/866-S/2010/386), and outlines additional actions to better assist conflict-affected countries in building lasting peace.

2. Progress made by the United Nations in implementing the 2009 agenda is enabling us to provide a more coherent, timely and effective response to immediate



post-conflict priorities. Our missions and country teams now work more closely together, with integrated strategic frameworks setting shared objectives and timelines in relevant mission environments. We have become more agile in deploying senior leadership, specialized experts and staff to the field, and we are holding our leaders accountable for their performance. We have strengthened and expanded our partnerships, including those with the World Bank and regional organizations, and through the civilian capacities initiative we are working to broaden and deepen the available pool of institution-building expertise. The Peacebuilding Fund has provided timely and gap-filling financial support during critical transition moments, while the Peacebuilding Commission is exploring ways in which it could play a larger role in resource mobilization. We have highlighted women's contributions to peacebuilding, which are now more widely acknowledged. While the progress made towards the goals of the seven-point action plan has been uneven, there have been some notable achievements in women's engagement in conflict resolution, gender-responsive planning, financing and the rule of law. Less headway has been made in the areas of governance and economic recovery.

3. Building on this progress, the United Nations and its partners must do more to ensure that countries engaged in peacebuilding are able to contain and manage conflict and transform it into sustainable peace. Post-conflict countries often continue to experience instability years after the end of the armed conflict, with high levels of relapse into violence. As noted in the World Bank's *World Development Report 2011*, 90 per cent of conflicts between 2000 and 2009 occurred in countries that had previously experienced civil war. The causes of instability and relapse vary by context and may include external stresses such as the impact of cross-border conflict and international criminal networks as well as internal factors such as political exclusion, real or perceived discrimination against social groups, severe corruption, high levels of youth unemployment, and unequal distribution of natural resource wealth. These conditions can be profoundly destabilizing for countries that have weak institutions and are politically and socially fragmented. A key challenge in post-conflict contexts is to overcome a pervasive deficit of trust — between different political parties and social groups, between the State and society and between the State and its international partners.

4. Our experience has identified inclusivity and institution-building as critical in preventing relapse into violent conflict and producing more resilient States and societies. Exclusion is one of the most important factors that trigger a relapse into conflict. Almost all cases that have avoided such a relapse have had inclusive political settlements, achieved either through a peace agreement and subsequent processes or because of inclusive behaviour by the party that prevailed in the conflict. An early emphasis on inclusion is therefore essential. A closely related objective is to strengthen formal and informal institutions, including to restore core governance functions and equitable service delivery. Inclusivity and institution-building are also critical to domestic accountability systems, help to restore the social contract, and lay a more reliable foundation for the State's engagement with the international community. These processes, however, require sustained political and financial support, which is often lacking. Transition compacts can help to formalize reciprocal commitments between States and their partners; they should be accompanied by a greater willingness on the part of donors and international agencies to accept and manage risk and make longer-term funding commitments.

5. I am submitting the present report to the General Assembly and the Security Council pursuant to the Council's request for a report by October 2012 on further progress made in implementing my 2009 agenda, "giving particular emphasis on the impact this has made on the ground, including progress towards increasing the participation of women in peacebuilding" (see S/PRST/2010/20). The report also responds to the presidential statement adopted by the Security Council following its special debate held in January 2011 on institution-building in post-conflict peacebuilding (S/PRST/2011/2). In that document, the Council requested an assessment of the impact of my 2009 agenda "in contributing to building viable institutions in post-conflict countries, as well as additional recommendations to improve the effectiveness of the United Nations' contribution to more effective, stable and sustainable institutions that can help prevent a relapse into conflict".

II. Progress update

6. Since my previous report, there has been significant progress towards my 2009 agenda for action. Initial progress has also been made towards the implementation of the seven-point action plan for gender-responsive peacebuilding, but much more is needed in order to generate institutional change and deliver impact at the country level.

More effective and better-supported United Nations leadership teams on the ground

7. We have made strides in the selection and rapid deployment of leadership and staff in the immediate aftermath of crises. We have ensured that our field missions have more effective and cohesive senior leadership teams, with complementary skill sets. We have provided Resident Coordinators with specialized expertise in such areas as peacebuilding, gender and recovery in both mission and non-mission settings. Where crises are prolonged, we have sought to ensure that Resident Coordinators have appropriate leadership profiles. I have also strengthened accountability by extending senior manager's compacts and performance assessments to all my Special Representatives and Heads of Mission in the field.

8. Integrated Mission Task Forces have facilitated stronger communication and coordination between lead departments and agencies at Headquarters and in missions and country teams. Similar structures have been created for non-mission contexts in which political circumstances require coordination and dedicated support between Headquarters and the field.

Assessment, planning and strategy: building early agreement on priorities and the alignment of resources

9. Integrated strategic frameworks have been completed in nearly all mission environments in which the principle of integration between United Nations missions and country teams applies. The current review of the integrated mission planning process guidance will, by the end of 2012, clarify and streamline planning and define core principles and mandatory requirements of United Nations integrated planning, supported by guidelines and tools. I have asked that attention be devoted to ensuring that the mandatory elements of integration are fully embedded in other system-wide core strategic processes, particularly joint strategic assessments,

reporting on mandates, mission and agency-specific reporting and plans, and component planning and resource allocation mechanisms.

10. A new policy is being developed on United Nations transitions in the context of mission drawdown or withdrawal. Transition planning must be managed jointly by all United Nations system actors present in the country, and should begin at an early stage and retain flexibility. In addition, transition plans must be developed closely together with national counterparts. The development of relevant national peacebuilding capacities is critical to ensuring an effective and sustainable handover of mission responsibilities to host countries.

11. Joint post-conflict needs assessments conducted by the United Nations, the European Commission and the World Bank have contributed to more coherent approaches in a number of countries. To strengthen the post-conflict needs assessment tool, the United Nations, the European Commission and the World Bank agreed in April 2011 on a set of gender-equality principles to be applied to such assessments. These were subsequently employed, for example, during the Yemen Joint Social and Economic Assessment.

Predictable international support and national capacity development

12. Since 2009, the United Nations has undertaken functional reviews to enhance the predictability, accountability and effectiveness of our delivery in the areas of the reintegration of refugees and internally displaced persons, employment generation, security sector reform, demobilization, disarmament and reintegration, mine action, mediation, electoral assistance and the rule of law. In several cases, these reviews have helped to clarify peacebuilding roles and responsibilities, with corresponding focal points designated to mobilize United Nations system support for country-level activities and to tackle such challenges as funding shortfalls. I expect the focal point system and similar arrangements to facilitate joint country-level assessments, planning and programming and to lead to improved assistance. In September 2012, the United Nations Development Programme (UNDP) and the Department of Peacekeeping Operations assumed responsibility as joint global focal point for the police, justice and corrections areas in the rule of law in post-conflict and other crisis situations. A forthcoming lessons-learned review of post-conflict public administration capacity development will make recommendations with regard to how the United Nations system can provide more effective, cohesive, integrated and strategic support in this area.

13. In an October 2011 decision, I called on Resident and Humanitarian Coordinators to lead the development of a strategy for durable solutions for internally displaced persons and returning refugees. I also entrusted the Office of the United Nations High Commissioner for Refugees (UNHCR) and UNDP with supporting them in this endeavour through policy guidance and technical support. UNDP, UNHCR and the Office for the Coordination of Humanitarian Affairs have since identified three countries — Afghanistan, Côte d'Ivoire and Kyrgyzstan — as pilots for the implementation of this decision, in consultation with the respective Governments and United Nations country teams.

14. My recent report on civilian capacity in the aftermath of conflict (A/67/312-S/2012/645) describes progress made towards the objectives set out in my 2011 report on that subject (A/66/311-S/2011/527). One such objective is to enhance our support for national capacity development. UNDP is coordinating an inter-agency

group to develop system-wide principles and guidelines for the more effective use and development of national capacities to lead peacebuilding efforts. Rather than to provide definitive or prescriptive advice, the principles are designed to help the United Nations system provide national capacity development support in such a way that it is based on national ownership yet acknowledges United Nations mandates and norms. The guidelines, meanwhile, are intended to help practitioners identify and address the parameters to be considered in reaching decisions that fit the context, are pragmatic and manage trade-offs associated with supporting national capacity development. Together, the principles and guidance are aimed at better alignment of United Nations system support with national priorities and sustainable results.

15. As an illustration, our work in South Sudan to build the capacity of national institutions has helped enable the new State to perform the basic functions of governance. During the six-year transition leading to the referendum, South Sudan put in place 37 ministries, 19 commissions, a national Parliament and 10 state governments and state legislatures. Today, the United Nations has State-building teams across the central ministries and is present in each state, building the capacity of the judicial, police, civil service and finance ministries. Mine action teams are also in place as enablers for socioeconomic growth. The United Nations Mission in South Sudan is implementing a strategy of decentralized presence whereby the mission expects to be present in 25 of the 79 counties by the end of its third year. This is aimed at enabling the State to gain a stronger foothold to serve rural populations.

16. I noted in my 2010 progress report that land and natural resources were key drivers of conflict and, even more so, of relapse into violence (A/64/866-S/2010/386, para. 44). Important substantive progress has been made since then to address this emerging concern, reflected in a number of reports, policies, resolutions and practical guidance for mediators working on resource-related conflicts and for practitioners addressing land, renewable resource and extractive issues. In 2011, for example, the United Nations-European Union partnership on natural resources, conflict and peacebuilding produced four sectoral guidance notes, on extractive industries, renewable resources, land and capacity-building. Work is under way to integrate those various approaches into country programmes. Within the United Nations system, a major obstacle concerns the need to more consistently reflect expertise gained in the area of natural resources management between United Nations entities. **I call on United Nations entities to collaboratively leverage their respective skills and knowledge to inform natural resources management assistance. I also call on the private sector and peacebuilding actors to deepen their interaction.**

Working with the international community to enhance the speed, alignment, flexibility and risk tolerance of funding mechanisms

17. Cooperation with the World Bank has intensified. This includes post-crisis assessments in Haiti, Pakistan and Yemen; a project to develop the disarmament, demobilization and reintegration capacity of the African Union; a security and justice sector public expenditure review toolkit; a new facility for joint analysis and work on job creation; and support for the Group of Seven Plus (g7+) conflict-affected countries in their efforts to implement the New Deal for Engagement in Fragile States. In May 2010, the World Bank-United Nations Fragility and Conflict Partnership Trust Fund was established to strengthen collaboration. The Trust Fund has allowed for the implementation of projects in the Central African Republic, the Democratic Republic of the Congo, Guinea-Bissau, Liberia, South Sudan and

Yemen. The United Nations and the World Bank are also currently undertaking a review of our partnership with a view to enhancing collaboration.

18. In July 2012, the Peacebuilding Fund and the World Bank's State-building and Peacebuilding Fund launched a process to strengthen the alignment and impact of multilateral peacebuilding financing instruments. The process is aimed at providing better joint analysis and advice for national actors, ensuring that programmes are based on the comparative advantages of each fund, improving risk analysis and management, and measuring results by building national monitoring and evaluation capacity.

19. The Peacebuilding Fund assists countries at critical transition moments when political sensitivity and risks are high and speed is critical. In Libya, the Fund provided rapid support for civic engagement in preparation for the July 2012 elections. In Yemen, it supported the February 2012 presidential election, a critical step in the transition agreement. In Kyrgyzstan, it enabled the interim presidency to initiate, in 2011, several human rights, justice and economic revitalization activities. After the 2010 political crisis in Côte d'Ivoire, the Fund provided rapid support to restore State authority and longer-term support for reconciliation. Its multi-year efforts support national ownership and leverage longer-term donor assistance, as in the eastern Democratic Republic of the Congo, where Fund-financed stabilization programmes — especially critical amid the renewed armed conflict in that region — have since mobilized international support. Funding provided to Nepal by the Fund encouraged further donor support for the cantonment and demobilization of child soldiers, transitional justice and technical assistance in the area of human rights. Since 2011, 10 independent evaluations of Fund-financed programmes have found that the Fund has strengthened United Nations coherence and helped United Nations leadership to address potential obstacles to peace processes (see A/66/659).

20. In my 2009 report, I urged donors to establish more effective funding modalities for countries emerging from conflict. The International Network on Conflict and Fragility responded to this challenge by issuing guidance for donors. This is a welcome development that requires sustained attention and implementation at the country level. The United Nations is ready to support its recommendations and will continue to work with the Network to improve the flexibility, speed and risk tolerance of donor funding. **I call upon Member States to ensure sustained and predictable financing for peacebuilding, including through the use of flexible and risk-tolerant pooled funding instruments.**

Peacebuilding Commission

21. The 2010 review of the United Nations peacebuilding architecture (see A/64/868-S/2010/393) acknowledged that while the Peacebuilding Commission had yet to fulfil the original vision behind its establishment, it had made incremental contributions to peacebuilding. The Commission is addressing some of the challenges highlighted in the review. It is working to strengthen its political accompaniment to countries emerging from conflict, foster coherence among key actors and mobilize international support. The Commission has collaborated with the African Development Bank in aligning peacebuilding priorities in the countries on its agenda. It engaged in the consultative process for the development of Burundi's second poverty reduction strategy, supported the organization of a partners' round table by the Government of the Central African Republic and mobilized funds for

Guinea-Bissau's elections in 2012. The Commission also continues to lobby for sustained support for Sierra Leone's progress against its Agenda for Change. **I encourage the Peacebuilding Commission to strengthen its strategy of promoting improved coherence and alignment of donors with national peacebuilding plans. I also call upon the Commission to engage with foundations and the private sector and encourage these actors to contribute to peacebuilding processes.**

22. Since 2010, Guinea and Liberia have joined the agenda of the Peacebuilding Commission. Statements of mutual commitment have been agreed upon that set out joint strategic priorities and the respective roles of the Government and the Commission. In Liberia, the Commission and the Peacebuilding Fund have worked closely in support of the Government and the United Nations Mission in Liberia, the Department of Peacekeeping Operations, UNDP and the United Nations Office for Project Services to strengthen the security and justice sectors, critical elements in the joint transition strategy for the Mission and the Government. In Guinea, a non-mission context, the Commission and the Fund have reinforced the work of the Department of Peacekeeping Operations, the Department of Political Affairs, UNDP and the Resident Coordinator in supporting a national military census and a retirement programme for 4,000 personnel — the first steps towards security sector reform in a country emerging from more than five decades of military rule. **I encourage the Peacebuilding Commission to continue to explore lighter and more flexible forms of engagement. Such engagement should be aimed at strengthening the impact of the Commission by complementing and supporting national actors and United Nations leadership in the field.**

23. The July 2012 Security Council debate on the report of the Peacebuilding Commission on its fifth session (A/66/675-S/2012/70) highlighted challenges to be addressed to maximize the Commission's contribution to post-conflict peacebuilding. The most significant element of discussion concerned the relationship between the Security Council and the Commission. Council members stressed the need for the Commission to add value to their deliberations, while Commission Chairs emphasized the need for information, access and guidance from the Council. In September 2012, the Council requested briefings from the Commission to inform its deliberations on mandate renewals for Liberia and Sierra Leone. **I encourage the Security Council and the Peacebuilding Commission to build on the debate and interactive dialogue. I also encourage the Council to continue to articulate the advice that it requires from the Commission, including during mandate discussions.**

Women and peacebuilding

24. In my report on women's participation in peacebuilding (A/65/354-S/2010/466), I noted that women are crucial partners in shoring up three pillars of lasting peace: economic recovery, social cohesion and political legitimacy. The foundation for that report was laid in Security Council resolution 1325 (2000), which called for women's equal participation in the maintenance and promotion of peace and security, and for the mainstreaming of gender perspectives into conflict prevention, peace negotiations, peacekeeping operations, humanitarian assistance and post-conflict reconstruction.¹

¹ See also S/2012/732.

25. The seven-point action plan on gender-responsive peacebuilding, outlining commitments on conflict resolution, planning, financing, civilian capacity, governance, the rule of law and economic recovery, is a strategy for achieving the commitments set out in resolution 1325 (2000) and is essential for generating United Nations coherence and accountability for that agenda. Its system-wide implementation is one of the priorities of my second term. In early 2012, 11 United Nations presences nominated themselves to spearhead the implementation of the plan.

26. Progress has been made towards the action plan's goals regarding women's engagement in conflict resolution, gender-responsive planning, financing and the rule of law. In these areas, procedures have been put in place to support the United Nations in meeting its commitments, which will need to be closely monitored for their impact. There has been less progress in the areas of governance and economic recovery. On the whole, the action plan has yet to galvanize institutional change, owing to thinly stretched human and financial resources and capacities, established patterns of assistance, a lack of systematic monitoring and scarce gender expertise in post-conflict contexts. The United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), in consultation with various other United Nations entities, has identified capacity gaps and good practices with respect to the deployment of gender expertise in conflict and post-conflict contexts, such as the inclusion of a full-time gender expert in the Mediation Support Standby Team of the Department of Political Affairs.

27. Gender-specific issues have not so far been systematically included in conflict resolution processes. Where the United Nations has had a lead mediation role, provisions concerning women and peace and security and other gender-relevant issues are more likely to have been included in peace agreements. Of the nine brokered peace agreements signed since 2011, two of the four in which the United Nations was co-lead mediator contain specific provisions focusing on women's participation in the implementation of the agreements. There is a continuing need for the United Nations and Member States to develop and fund strategies to promote the inclusion of women and the fulfilment of their needs. Since 2011, women have been represented in 12 of the 14 United Nations mediation support teams established, but in only four negotiating party delegations. Of the 11 relevant peace negotiations, gender experts were deployed to 5, while consultations with women's civil society organizations were conducted on a regular basis in 7. Regional training programmes conducted by the Department of Political Affairs, UN-Women and United Nations regional offices on mediation for women leaders have produced results. The Department and UN-Women will continue to analyse conditions under which women have participated in mediation processes and suggest lessons that could be applied elsewhere. To support the inclusion of gender issues in mediation processes, the Department has developed new guidance and tools on gender and mediation, such as the United Nations Guidance for Mediators on Addressing Conflict-Related Sexual Violence in Ceasefire and Peace Agreements. **I renew my call on United Nations entities to take more systematic action to ensure women's participation in and the availability of gender expertise to peace processes. I also encourage United Nations and Member State mediators to meet regularly with women's groups as part of conflict resolution efforts, to ensure that gender-relevant provisions are included in ceasefire and peace agreements, and to report on the results of those efforts to the Security Council through established mechanisms.**

28. Women's civil society delegations participated in all international donor conferences held in 2011 to support conflict-affected countries,² establishing good practice for inclusive national decision-making. That participation rate has fallen to only one third of the conferences held to date in 2012, however. Women civil society representatives did not participate in any of the eight meetings of groups of friends or contact groups held in 2011 and 2012. **I reiterate my call on United Nations entities involved in organizing international dialogues, contact groups and donor conferences to ensure that issues relating to women and peace and security are addressed and that women's groups are consulted from the earliest stages of planning and priority-setting.**

29. The target of dedicating at least 15 per cent of United Nations-managed funds to peacebuilding projects addressing women's specific needs and empowerment or gender equality, as set out in my 2010 report on women's participation in peacebuilding, has yet to be achieved. Some progress has been made on mechanisms to track resources, including by the Peacebuilding Fund, UNDP, the United Nations Children's Fund (UNICEF), the United Nations Population Fund and the World Food Programme (WFP), and I will continue to support greater coherence, including through the establishment of common principles for gender marker systems and the full use of gender markers in post-conflict contexts. In 2011, only 7.1 per cent of the project budgets of United Nations multi-donor trust funds targeted gender-specific needs or issues. In Nepal, the country team exceeded this global average, achieving a 9 per cent allocation of its peacebuilding portfolio to meeting the specific needs of women or girls, through methods that include guidelines and checklists agreed upon by the Government, the United Nations and donors. This should be replicated elsewhere. **I have asked UN-Women, with relevant United Nations partners, to address the achievement of the 15 per cent funding target for gender-specific programmes. I call on the executive boards of United Nations agencies, funds and programmes to consider this issue in their forthcoming discussions. I encourage all stakeholders, including Member States, to work towards this target.**

30. With regard to governance targets and the promotion of appointed and elected women in public institutions, affirmative action laws for elections in Haiti, Kosovo and Timor-Leste were adopted in 2011 with United Nations support. The United Nations also supported women's advocacy for quota legislation in the Central African Republic, the Democratic Republic of the Congo, Liberia, Libya, Sierra Leone and Somalia. In May 2012, the focal point for electoral assistance matters directed that all United Nations electoral assistance fully mainstream a gender perspective, including the views of women's organizations, and rigorously assess the potential benefit of temporary special measures. In the area of governance and public administration, a 2010-2012 review reveals little progress in increasing gender-responsive policy design and service delivery, especially at the subnational level. **I call on Member States and relevant United Nations entities to exchange information on methods of increasing women's participation and representation in political processes, in both elected and appointed positions. This could include, inter alia, sharing experience and advice on the use of temporary special measures with civil society and Government officials, including electoral authorities.**

² Afghanistan, Central African Republic and South Sudan.

31. In the area of the rule of law, notable efforts have been made to strengthen the capacities of country teams and missions to document conflict-related sexual violence and support national actors in protecting and strengthen access to justice with regard to these crimes. With the support of UN-Women, the commissions of inquiry for Côte d'Ivoire, Libya and Syria all included gender expertise, and truth commissions in Côte d'Ivoire and Kenya have received support in increasing women's access to justice. In 2011 in Mogadishu, UNDP support enabled 204 women and children to receive legal counselling on issues relating to sexual and gender-based violence. In more than 20 countries, the United Nations has supported legal aid service delivery. Justice processes should also ensure equal access to justice for all segments of the population in civil and administrative matters, in particular in gaining access to identification cards, birth and death certificates, citizenship and inheritance and land rights. Legal support services for women must be a standard component in the United Nations post-conflict rule-of-law response.

32. The United Nations is drafting minimum standards for gender-responsive transitional justice mechanisms, and I urge their use by Member States going forward. The Office of the United Nations High Commissioner for Human Rights and UN-Women are also drafting guidance concerning reparations for victims of conflict-related sexual violence. **I urge Member States to strengthen women's security and access to justice, including through reparations programmes and by linking them to existing development efforts to ensure sustained impacts.**

33. Addressing women's engagement in economic recovery and service delivery in post-conflict situations needs to be more systematic. There has been some progress in the application of a range-of-parity principle for United Nations-supported temporary employment, ensuring that neither sex receives more than 60 per cent of employment days. In Burundi, Haiti, Myanmar and Uganda, between 36 and 60 per cent of beneficiaries of temporary employment programmes were women. In 15 countries, UNDP has supported women ex-combatants and associated members in disarmament, demobilization and reintegration processes, amounting to a third of the caseload in 2011. In Liberia, UN-Women has supported the training and employment of women in rural areas as financial services extension agents. These good practices must become the norm across the international community. In relation to development and infrastructure programmes, which often attract the majority of funds in the aftermath of conflict, existing reporting is insufficient to assess the impact on women, as it cannot be assumed that all members of a community benefit equally. Furthermore, the United Nations has not yet developed a systematic approach to support gender-responsive land rights and the resolution of land disputes. UNDP and UN-Women, together with other relevant partners, are addressing these gaps by collaborating on gender mainstreaming in economic recovery, with particular attention given to improving systematic reporting and supporting national capacity to recruit women as agricultural extension workers and other front-line service providers.

III. Priority directions for peacebuilding

34. As noted above, experience accumulated by the United Nations has highlighted the importance of inclusivity, institution-building and sustained international support in preventing relapse into violence and supporting countries in building a sustainable peace. There is growing international recognition of the

linkages between these areas, as also reflected in the *World Development Report 2011*. They have also been championed by countries that are themselves emerging from conflict. The g7+ has agreed on five peacebuilding and State-building goals — inclusive politics, security, justice, economic foundations and revenues and services — that will guide the identification of specific priorities for each of its member countries. These goals have been endorsed by the g7+ and a broad range of development partners, including the United Nations Development Group and the World Bank, through the International Dialogue on Peacebuilding and Statebuilding and the Fourth High-level Forum on Aid Effectiveness, held in Busan, Republic of Korea.

Inclusivity

35. Building peace requires the early engagement of a broad cross section of society. While inclusive political settlements may take longer to negotiate, they are more sustainable. An inclusive process builds confidence among participating parties that their core objectives can be achieved through negotiation rather than violence. It is also more likely to address the root causes of conflict and increases the legitimacy and ownership of a political settlement. "Inclusivity" in this regard refers to the extent and manner in which the views and needs of parties to conflict and other stakeholders are represented, heard and integrated into a peace process. Settlements — even those concluded initially for a limited purpose, such as achieving a ceasefire — should be progressively broadened to permit wider citizen participation. While inclusivity may not necessarily imply that all stakeholders participate directly in formal negotiation, an inclusive process goes beyond the representation of parties to conflict by facilitating their interaction with other stakeholders and creating mechanisms that allow for the inclusion of different perspectives in the process, including those of women's groups. Political settlements should also facilitate the development of local and national capacities for the peaceful resolution of disputes.

36. Political or economic exclusion, horizontal inequalities and discrimination undermine sustainable peace. A successful peacebuilding process must be transformative and create space for a wider set of actors — including, but not limited to, representatives of women, young people, victims and marginalized communities; community and religious leaders; civil society actors; and refugees and internally displaced persons — to participate in public decision-making on all aspects of post-conflict governance and recovery. Participation and dialogue enhance social cohesion and national ownership, and they leverage resources and knowledge for peacebuilding existent within post-conflict societies.

37. Inclusive peacebuilding is an effective investment. Studies have shown that active social engagement deters corruption and makes public administration systems more transparent and service delivery more effective. Data on economic recovery highlight the positive impact of women's engagement on national growth and household well-being. UNICEF work on equitable social services and WFP case studies on food assistance show that prioritizing the most excluded can lead to greater social cohesion and stable economic growth. For example, innovative community-based demining in Afghanistan demonstrates that an inclusive mine action sector promotes transition to national ownership and job creation.

38. Inclusivity needs to be applied throughout peacebuilding, from analysis, design and planning to implementation and monitoring. It requires affirmative efforts by the United Nations system, including through the identification of tools, methodologies and strategies tailored to engage specific population groups. Reconciliation, for example, requires that victims, perpetrators and the wider society be enabled to decide how to heal the wounds inflicted by conflict and restore relationships in society and thus reduce the risks for relapse into violence. Inclusive approaches to peacebuilding can also entail monitoring the equitable delivery of services and redressing the structural inequalities and patterns of discrimination that undermine social cohesion and diminish citizenship rights. **I call on United Nations entities to ensure that factors contributing to marginalization are identified early and addressed in peacebuilding strategies and programmes, including by considering analysis and recommendations of United Nations human rights mechanisms. In addition, United Nations entities and national Governments should work to ensure the equitable and non-discriminatory delivery of services, including through the monitoring of United Nations programmes in socially diverse environments.**

39. Inclusivity also requires that private sector actors be engaged in order to maximize their contribution to peacebuilding through employment and skills development, and to ensure that any adverse impacts of their activities are mitigated. Multi-stakeholder initiatives are beginning to address these needs. In Haiti, for example, the United Nations Stabilization Mission is working with the private sector to train and mentor at-risk youth through a community violence reduction programme. A key challenge is to scale up and institutionalize emerging standards to frame the activities of companies in peacebuilding contexts, including through coordination, training, funding and integration into local programmes. My report to the General Assembly on the dissemination and implementation of the Guiding Principles on Business and Human Rights (A/HRC/21/21 and Corr.1) provides relevant recommendations in this regard.³

40. The United Nations and the international community need to identify entry points and opportunities for inclusion and social dialogue, including long-term investments through formal and informal education. The early signalling of a commitment to inclusion can help to build confidence in the political process among historically marginalized or alienated groups. For example, in the negotiation of the implementation mechanism for the Yemen transition agreement in 2011, my Special Adviser met with a broad range of political opposition groups, young people, women and representatives of civil society and encouraged the inclusion of their priorities. His efforts paved the way for their participation in a national dialogue conference that will lay the foundations for subsequent stages of the transition.

41. When rapid action is combined with inclusion, there exists the temptation to structure dialogue around formally constituted and well-organized civil society organizations. Patriarchal and patronage cultures, a lack of education and significant ethnic and religious divides can, however, limit the visibility of other groups as well as their awareness of and access to peacebuilding processes. This profoundly affects the participation of women — who are often affected by gender-based exclusion and sometimes a high tolerance for the infringement of their rights — and of young people. Corrective strategies may include measures to compensate for time

³ See also A/HRC/17/31.

constraints and lack of experience, knowledge and mobility, and the provision of identity documents that facilitate women's participation in political and peacebuilding processes.

42. All stakeholders, most importantly the Governments of countries emerging from conflict, should foster inclusion by establishing mechanisms for, and signalling commitment to, representative politics and participatory dialogue at the earliest possible stages of peacebuilding. My senior representatives should advocate and facilitate inclusion, with due consideration accorded to key political actors, gender balance and social diversity. This includes calling for space for marginalized groups to participate in political dialogues and consulting with all stakeholders in a systematic and structured way, including women's groups. I also call on my Representatives to support diversity in appointments to senior-level posts and to ensure timely communication about the peace process to different social groups.

Institution-building

43. Functioning Government, political, market and social institutions have long been recognized as prerequisites for establishing popular confidence in the State and preventing violent conflict. Institutions — defined broadly as the rules of the game and the organizations that frame and enforce them — provide the incentives and constraints that shape political, economic and social interaction. The importance of institution-building as a central pillar of sustainable peace was recently reinforced by the *World Development Report 2011* and the Organization for Economic Cooperation and Development (OECD) guidance to donors on supporting State-building in situations of conflict and fragility. The United Nations civilian capacities initiative is also directed towards the strengthening of support for nationally owned institution-building in five key capacity gap areas.⁴

44. We must build on existing institutions to ensure that they are democratic, accountable and professional; allow those institutions to develop at their own pace and with a certain level of experimentation; and sustain institution-building efforts over decades. International assistance can facilitate the development of national institutions, but only if it is highly sensitive to evolving political and social dynamics. The international community must gain a better understanding of how decisions are made locally, where change agents are located and in what ways they can be positively supported. Institutional support and capacity development are not a quick fix. When pursued too quickly and without national ownership, or prematurely by authorities that lack legitimacy, reforms can prove detrimental. Allowing sufficient time for longer-term policy solutions to emerge should not, however, impede immediate work to restore basic functionality and deliver peace dividends. A steady stream of results is needed in order to strengthen confidence in institutions. **I urge Governments and their international partners to carefully pace, sequence and adjust institutional reform programmes, balancing long-term support for institution-building with the need to achieve early and tangible outcomes through the restoration of core Government functions and service delivery.**

⁴ Safety and security, justice, inclusive political processes, core Government functionality and economic revitalization (A/65/747-S/2011/85, para. 34).

45. Institution-building in fragile and conflict-affected settings is a difficult undertaking, and the track record of international support is mixed. In many cases, uncoordinated and short-term action has undermined success. The early departure of the initial United Nations Transitional Administration mission from Timor-Leste, and the rapid succession of two additional United Nations missions with progressively narrower mandates (the United Nations Mission of Support in East Timor and the United Nations Office in Timor-Leste), led to a lack of continuity in expertise and investment to support nascent national institutions. The current planning for mission transition in Timor-Leste has seen concerted engagement between the Government of Timor-Leste, the United Nations Mission in Timor-Leste (UNMIT) and the United Nations country team over the past two years. A joint transition plan details how the work of UNMIT will either be completed by December 2012 or be handed over to partners thereafter.

46. Violent conflict undermines the quality, quantity and consistency of Government functions and essential services precisely when citizens are in most urgent need of them. Working with partners as early as possible to build or rebuild the functionality of country systems is critical to allowing for a successful transition from conflict and the drawdown of missions. These systems include the core administrative and financial management systems of the public administration, as well as social services, without which national Governments are unable to lead recovery efforts and respond to the needs of the population. They include policy formulation and public financial management, in particular planning, budgets and spending; leadership from the centre of Government, which is critical to driving change and ensuring coherence; civil service management, which entails ensuring that key administrative staff are in place, paid regularly and follow instructions and procedures; local governance, the level at which the State most frequently and directly interacts with its population; and the coordination of aid, which in many post-conflict contexts covers a major part of the budget. Improvement in other Government service systems, including health, education, agriculture and natural resources management, is also critical.

47. Learning from the experiences of other countries that have gone through comparable transitions from conflict or crisis can help national authorities decide which approaches to institution-building best fit their needs. The civilian capacities initiative has established an online platform, CAPMATCH, which connects those seeking expertise or experience with potential providers, fostering in particular South-South and triangular cooperation.

48. Public administration and social services delivered in an accountable and equitable manner can address grievances and offer a means for the State to rebuild its legitimacy. The United Nations supports calls made in the New Deal to identify oversight and accountability measures required to enhance confidence in country systems. However, this support should include a focus on ensuring that such systems are also responsive to the needs and rights of the populations in question, rather than serving only the constitutive functions of the State or being focused exclusively on financial accountability. **I urge all international actors to make greater use of country systems that offer appropriate oversight and accountability mechanisms when providing support to post-conflict countries and to invest more in strengthening the capacity of these systems.**

49. When conflict has eroded a State's core functionality, local organizations, non-State actors and informal institutions are often essential in providing security, delivering services and building trust. Informal institutions — comprising socially shared rules that are created, communicated and enforced outside formal channels — can be remarkably resilient during or after crises and can coexist with, or even be more influential than, formal institutions. In many environments, the absence of democratic traditions, whether national or local, can result in formal institutions being controlled by one actor or group. The building of informal institutions is frequently neglected in the immediate aftermath of conflict, yet it is at this level where communities may most effectively manage disputes and prevent conflict from escalating into violence. At the same time, informal institutions may reflect and reinforce and reinforce social inequalities within communities, especially with respect to the rights of women, children and locally marginalized groups. Support for informal institutions must therefore begin with a careful analysis of their sources of legitimacy, structures and practices, and must include, where necessary, measures to promote awareness of and respect for fundamental human rights.

50. The United Nations can play a critical role in supporting informal institutions and their connections to formal ones. This means investing in informal institutions such as local peace councils, traditional dispute resolution and social protection mechanisms and non-formal education networks, alongside formal institutions such as public administrations, parliaments and schools. It also entails strengthening the interface between formal and informal institutions, particularly in rural areas or areas that have been isolated by prolonged conflict. **The United Nations should focus its support for national institution-building priorities not only on strengthening formal institutions, but also on reinforcing their interface with informal institutions that respect fundamental human rights, particularly where these serve as key service providers or means of resolving disputes and defusing violent conflicts.**

51. I welcome recent work to consolidate deeper understanding of the frameworks and partnerships required to improve support for institution-building processes. The establishment in Liberia of county support teams, coordinated jointly by the Resident Coordinator's Office, the United Nations Mission in Liberia and UNDP, represents a model of good practice. However, closer interaction across the United Nations system, in particular between United Nations missions and country teams, is a precondition for effective support for post-conflict institution-building. **I call on United Nations entities to take a comprehensive approach to institution-building. To this end, I urge missions and country teams to develop effective partnerships based on a clear division of labour that reflects comparative advantages.**

Sustained international support and mutual accountability

52. Maintaining and expanding domestic coalitions for peace and the rebuilding of national institutions require sustained international political and financial support. Intergovernmental bodies, including the Security Council and the Peacebuilding Commission, and my Representatives have helped to ensure that critical political attention is given to countries during and after the drawdown of peacekeeping missions. Yet commensurate financial support has often been lacking, leading to uncertainty and unpredictability in the implementation of national peacebuilding

and development strategies. A recent OECD report⁵ found that while overseas development assistance to fragile and conflict-affected States had increased in 2010, 34 per cent had been dedicated to just two countries, while others such as Burundi, Côte d'Ivoire, Guinea and Liberia faced declining or volatile aid levels.

53. The emergence of new conflict situations and a global climate of fiscal austerity inevitably have an impact on the levels of attention and assistance provided to more mature post-conflict countries. There are other significant hurdles: the continued deficit of trust between post-conflict countries and their partners, and what the *World Development Report 2011* terms the "dual accountability dilemma" — the fact that multilateral and bilateral donors are accountable first to their domestic constituencies and shareholders, and only second to their counterparts or the citizens of recipient States. In practice, this has often meant that donors and international agencies are reluctant to assume what they regard as high-risk investments, including the use of national budgets and country systems to deliver assistance.

54. The concept of mutual accountability has gained currency as a means to create a more balanced partnership between donors and recipient Governments. Mutual accountability helps to ensure that the international community complements and supports national plans and priorities, and provides a robust foundation to sustain predictable international support. It also fosters greater inclusivity and ownership of peacebuilding, as it recognizes that domestic systems of accountability build the social contract and broaden national ownership.

55. This concept has the broad endorsement of United Nations intergovernmental processes. The General Assembly has recognized that the commitments made by developed and developing countries in relation to the Millennium Development Goals require mutual accountability (resolution 65/1, para. 78 (c)). The Peacebuilding Commission has, from the outset, premised its country engagements on mutual accountability, outlining the mutual commitments of the Commission and the countries concerned, as well as a process of periodic reviews, in its instruments of engagement.

56. A recurrent issue in ensuring mutual accountability is the absence of adequate aid data to allow for informed decision-making, coordination and prioritization. The lack of data, particularly projections of future aid flows, also prevents post-conflict countries from undertaking realistic medium- to long-term planning. The Peacebuilding Support Office is currently implementing a European Union-funded project that seeks to improve reporting on peacebuilding assistance in Liberia. Globally, the International Aid Transparency Initiative is the process with the most obvious potential to integrate the collection of peacebuilding-relevant data and publish it in real time for the benefit of all stakeholders.

57. In a number of post-conflict countries, mutual accountability has underpinned transition compacts, through which Governments and their partners have agreed on the most urgent post-conflict peacebuilding priorities and identified sources of and instruments for the financing of their implementation. The results to date have been mixed,⁶ but lessons learned as a result have informed recent approaches to the

⁵ *Ensuring Fragile States Are Not Left Behind* (OECD, 2011).

⁶ See *Aid Effectiveness in Fragile States: Lessons from the First Generation of Transition Compacts* (International Peace Institute, April 2012).

development of compacts. Compared with the Afghanistan Compact of 2006, the recently concluded Tokyo Mutual Accountability Framework has a more tightly focused set of goals tailored to the country context, as well as politically challenging but specific and achievable benchmarks. It is also more specific in relation to international partners, committing them to sustaining support at current levels for the next five years, aligning 80 per cent of aid with national priorities and channelling at least 50 per cent of aid through the national budget.

58. Despite the difficulties that have been associated with their implementation, transition compacts play a critical role in the operationalization of mutual accountability. Compacts provide a strong negotiating platform for countries emerging from conflict, enhancing their legitimacy domestically and internationally, and, if they are successfully implemented, can provide a basis for improved trust and a deeper partnership. **I encourage Member States to support the development and use of transition compacts, with agreed strategic objectives and mutual accountability, in post-conflict environments. United Nations country presences will work with national counterparts to help ensure the development and implementation of these compacts through inclusive and participatory processes.**

59. For partner organizations and countries, implementing transition compacts entails a greater willingness to assume risks. The case for doing so rests on balancing the risks of action (which include engaging with and investing in weak institutions) against the risks associated with inaction (which include an absence of long-term institution-building, failure to uphold the social contract and, potentially, relapse into violence). The need for coherent joint action, and thus the sharing of risk, has been affirmed repeatedly.⁷ More recently, the *World Development Report 2011* proposed a number of strategies for managing risk in post-conflict environments, including the use of independent monitors to scrutinize procurement and expenditures, the conditioning of the release of funds on external audits, the engagement of external financial management and procurement agencies, "dual key" programmes in which both national and international actors sign off on high-risk transactions, and "in kind" support for a national budget through a donor's own financing and procurement systems. Yet another strategy for managing risk is the use of pooled funds, such as the Peacebuilding Fund and other global funds for peacebuilding, as well as country-specific multi-donor trust funds. **I encourage all stakeholders to ensure sound assessments and analysis of risk in post-conflict environments and to develop joint approaches to risk management whenever feasible. I encourage Member States, and in particular donors, to implement risk tolerant approaches, recognizing that the risks of inaction may outweigh the risks associated with action.**

60. Sustaining international support for peacebuilding is an essential element of social and economic development in post-conflict countries. The gap in Millennium Development Goal performance between conflict-affected countries and other developing countries is large and increasing. These issues will be considered by the High-level Panel that I have appointed to advise on the global development agenda beyond 2015, and they also merit the early attention of Member States. The outcome document of the United Nations Conference on Sustainable Development noted that

⁷ E.g., in the Paris Declaration on Aid Effectiveness (2005), the Principles for Good International Engagement in Fragile States and Situations (2007) and the Accra Agenda for Action (2008).

countries in situations of conflict need special attention in achieving sustainable development. It also acknowledged that sustainable development requires good governance and the rule of law, as well as effective, transparent, accountable and democratic institutions. This recognition by Member States strengthens the case for the inclusion of these issues in the post-2015 development agenda with a view to creating both an enabling environment and the institutional foundations required to achieve a wider set of development objectives. **I call upon Member States to build on their commitments as set out in the Millennium Declaration and the outcome document of the United Nations Conference on Sustainable Development, and to support the incorporation into the post-2015 development agenda of peacebuilding considerations related to inclusive politics, security, justice, economic foundations and revenues and services.**

IV. Conclusion

61. The present report outlines the progress made since 2010 in enhancing efforts to build lasting peace in countries emerging from conflict. The United Nations and the wider international community have achieved greater coherence, efficiency and internal accountability in our peacebuilding activities.

62. Much remains to be done, however, to consolidate the implementation of my agenda for action. I am concerned at the slow pace of progress in reaching the goals of the seven-point action plan for gender-responsive peacebuilding, and urge all stakeholders to systematically ensure the meaningful participation of women in all aspects of peacebuilding. To further advance our collective peacebuilding efforts, I call upon United Nations entities and Member States to implement the recommendations outlined in this report. Above all, we must place greater emphasis on an inclusive approach to peacebuilding that facilitates broad national ownership of lasting peace. I also stress peacebuilding through institution-building by prioritizing the development of core Government administrative and service delivery functions. Finally, I appeal both to countries emerging from conflict and to international partners to further consolidate and enhance their partnership through mutual accountability for the delivery of results. In moving forward, I stand ready to report further on impacts and experiences in these critical areas for lasting peace and the prevention of conflict.